



SOUTH DAKOTA RISK POOL

FISCAL YEAR 2010

EIGHTH ANNUAL REPORT TO THE SOUTH DAKOTA LEGISLATURE

South Dakota Risk Pool
500 East Capitol
Pierre, SD 57501
Phone: 605.773.3148
Fax: 605.773.6840
Email: riskpool@state.sd.us
Website: riskpool.sd.gov

GOVERNANCE

The South Dakota Legislature convened on June 26 and 27, 2003 for a special session requested by Governor M. Michael Rounds to consider legislation that would establish the South Dakota Risk Pool. On June 27, 2003, Governor Rounds signed the enabling legislation that was passed by the South Dakota Legislature.

The FY10 Risk Pool Governing Board members

Chairperson Kathi Mueller Governors Office	Dave Hewett Health Care Facility & Providers
Vice-Chairperson Tom Martinec Department of Health	Randy Moses Division of Insurance
Janet Griffin Insurance Carrier	Dennis Studer Bureau of Personnel
Larry Iversen Department of Social Services	

Advisory Panel Members

Dr. Mary Carpenter Health Care Provider	Damian Prunty Lay member
Bob Clark Insurance Producer	Jean Reed Health Care Facility
Representative R. Blake Curd Legislative Representative	Mike Shaw Insurance Carrier
Senator Jason Gant Legislative Representative	Barb Smith Health Care Provider
Dr. Tom Huber Health Care Provider	Cheryl Stone Self Insurer & Employers
Lonnie McKittrick Insurance Producer	Rick Stracqualursi Health Care Facility
Cindy Morrison Health Care Facility	

OPERATIONS

The South Dakota Risk Pool has been operational since July 28, 2003. The South Dakota Bureau of Personnel under Commissioner Sandra Zinter administers the Risk Pool. Administrative functions include but are not limited to: application eligibility determination, initial point of contact for all Risk Pool inquiries, customer service, premium collection, day to day management, and oversight of the plan. The program is overseen by a Risk Pool Program Manager with assistance from the Division of Insurance and the Bureau of Finance and Management.

The creation of the South Dakota Risk Pool established the methodology on how to allocate the risk and cost to Risk Pool enrollees, the state, insurance carriers, insurance producers, medical providers, facilities, and pharmacists. The methodology included the premise the Risk Pool members would pay a higher than average premium, the insurance agents would receive a lower than normal commission, and the state, the providers, and the insurance carriers would have a financial partnership in the Risk Pool. The specific contribution categories are as follows:

Risk Pool Contributions				
Fiscal Year	Physicians ¹	Hospitals ¹	Provider Total	Insurance Carriers
FY04	\$350,271	\$411,187	\$761,459	\$781,766
FY05	\$852,338	\$1,072,100	\$1,924,438	\$839,645
FY06	\$800,662	\$1,420,304	\$2,220,966	\$855,450
FY07	\$892,295	\$1,116,149	\$2,008,444	\$862,311
FY08	\$967,381	\$1,467,242	\$2,434,623	\$860,721
FY09	\$1,146,620	\$2,121,135	\$3,267,755	\$810,193
FY10	\$1,276,154	\$1,705,380	\$2,981,534	\$1,258,757
Totals	\$6,285,721	\$9,313,497	\$15,599,219	\$6,268,843

Risk Pool Contributions				
Fiscal Year	State General Funds ²	Administrative Costs ³	Federal Funds	Total Government
FY04	\$1,998,508	\$70,000	\$1,000,000	\$3,068,508
FY05	\$501,494	\$70,000		\$571,494
FY06	\$502,610	\$70,000		\$572,610
FY07	\$600,411	\$70,000	\$1,098,428	\$1,768,839
FY08	\$707,168	\$70,000		\$777,168
FY09	\$710,475	\$70,000	\$724,609	\$1,505,084
FY10	\$710,480	\$70,000	\$889,500	\$1,669,980
Totals	\$5,731,146	\$490,000	3,712,537	\$9,933,683

¹FY04 Physician Hospital breakouts are estimated numbers.

²Includes State funding of a \$1,500,000 reserve fund.

³Administrative Costs: \$70,000/year are based on the estimated staffing costs for legal, other administrative, and board member time.

Note: To determine the financial contribution by providers, the difference between 85% of the billed charges (an average insurance company network discount) and the amount actually payable to providers for Risk Pool enrollees was calculated.

ENROLLMENT

The Risk Pool provides coverage to those individuals who have lost their creditable coverage through no fault of their own and make application to the Risk Pool within sixty-three days of losing coverage. Additionally, by securing federal funds and the enactment of SB 200 (2006), the Risk Pool has been able to allow individuals to enter the pool based on having health insurance premiums at least 200% of the Risk Pool premiums. The target populations are those individuals who are in closed blocks of business and whose premiums are spiraling upward. As of July 1, 2009, legislation allowed uninsurable children to join the Risk Pool (SB 109).

There were 632 members in the Risk Pool at the end of FY10. Since SB 200 was passed, 78 people have enrolled based on that eligibility. The Risk Pool has one

(1) uninsurable child member. There have been 1,241 members who have discontinued Risk Pool coverage since its inception. Termination of coverage is primarily due to enrollees obtaining creditable coverage through another source. Since the inception, 113 applications have been denied because the applicant did not meet eligibility requirements and 222 applicants have been denied because the applicant did not complete the application process. The enrollment chart delineates the member's reason for termination from the plan by Fiscal Year (FY) and number of members.

Enrollment at Year End	All Years	FY10	FY09	FY08	FY07	FY06	FY05,FY04
Number of members	1,711	632	632	669	719	689	586, 485
Reasons for Termination	All Years	FY10	FY09	FY08	FY07	FY06	FY04,FY05
Medicare	492	68	71	101	87	81	84
Obtained other insurance	382	61	78	88	70	38	47
Per enrollee's request	183	0	5	17	50	42	69
Non payment	52	10	8	10	9	8	7
Deceased	40	1	6	12	5	10	6
Other	24	4	4	5	3	1	7
Medicaid	26	8	2	0	0	4	12
Moved out of state	25	6	9	2	3	2	3
Cannot afford rate increase	17	4	11	2	0	0	0
TOTAL	1,241	162	194	237	227	186	235

As of June 30, 2010, the member population of the Risk Pool consisted of 299 males and 333 females, with 10.4% being tobacco users. Approximately 62% of the Risk Pool enrollees are age 50 or older. The Risk Pool offered three plans to members. The plan type chart outlines the plans, deductibles, and members enrolled in each plan type.

Plan Type	Deductible	Members at Year End
Plan A	\$1,000 deductible	266 (42%)
Plan B	\$3,000 deductible	241 (38%)
Plan B with HSA option	\$3,000 deductible with health savings account option	41 (6%)
Plan C	\$10,000 deductible	84 (13%)

CLAIMS

The claims for medical benefits are administered by DakotaCare (DAS) Administrative Services. There is a delay between the time medical services are provided and the time the claim for services are submitted for payment. Due to the normal lag in payment of claims, paid claims data does not accurately reflect all of the claim expenses that have been “incurred, but not reported” (IBNR). During FY10 \$4,541,056* was paid for medical services with an additional \$1,142,928 in estimated IBNR. Express Scripts is the Risk Pool’s Pharmacy Benefit Manager. Pharmacy claims are submitted electronically at the time the services are rendered. In FY10 \$1,925,804 was paid in pharmacy benefits.

**The FY10 paid claims included claims incurred in FY09 but paid in FY10.*

EXPENSES

Operating expenses, other than claim benefit payments, totaled \$520,802 during FY10. The expenses category includes personal services, costs for contracting for medical management, claims processing services, agent commissions, and other miscellaneous expenses.

ASSESSMENTS

Annually insurance carriers are asked for an updated report based on the number of covered lives for the preceding calendar year. Legislation which took effect on July 1, 2009, increased the carrier assessment from \$0.25 to \$0.35 per member per month.

The total amount received for the FY10 carrier assessment based on calendar year 2009 lives was \$1,258,757.

PREMIUMS

In accordance with South Dakota legislation, Risk Pool premiums are actuarially based on 150% of the average in force premiums charged by the three carriers with the largest number of individual health benefit plans in the State of South Dakota during the preceding year. Risk Pool premiums are collected by using automatic withdrawal (ACH) from a member's checking or saving accounts unless other arrangements have been made with the Risk Pool Manager. Premiums received during FY10 were \$4,391,544. The average rate increase for premiums from FY09 to FY10 was 3.4%. However, within the various premium age bands there was a decrease of 2.4% in one band up to a 21.6% increase in another band.

MEDICAL MANAGEMENT & INTERVENTION

Medical management services are administered by Health Care Medical Technology, Inc. (HCMTI). Enrollees are triaged into medical and disease

management programs based on information submitted at the time of application and yearly updated health risk assessments. HCMTI has 12 distinct disease management programs and an enrollee may be involved in more than one program. The metabolic syndrome program, which involves a combination of diabetes, cardiac, or obesity, has 30.9% of the Risk Pool membership enrolled in it.

Enrollment of Disease Management Programs		
Asthma	31	4.7%
Cardiac	144	21.6%
Case Management	130	19.5%
Diabetes	33	5%
High Cost Claims	34	5.1%
High Risk Pregnancy	0	0%
Mental Health	70	10.5%
Metabolic Syndrome	206	30.9%
Oncology	25	3.8%
Spine	85	12.8%
Transplant	4	0.6%
Weight	22	3.3%

The HCMTI FY10 Annual Report reflected savings of \$147,093 to the South Dakota Risk Pool. These figures include hard savings from disease management programs along with pharmacy savings, case management, and benefit reduction savings.

GRIEVANCES & APPEALS

The South Dakota Risk Pool has grievance and appeal procedures in place. The Risk Pool Governing Board reviewed two appeals since the last annual report. The two appeals concerned eligibility and payment of a claim.

2010 LEGISLATION

There was one bill passed during the 2010 South Dakota legislative session that had bearing on the operation of the South Dakota Risk Pool. House Bill 1043 changed the Risk Pool premium rate methodology to be based on the number of carriers representing 90% of plans actively marketed. Allowed the number of benefit plan designs offered to be more than three and increased the pharmacy benefits. It revised open enrollment for uninsurable children under the age of 19, to be rejected or offered coverage with a rider by at least one carrier.

RISK POOL FUND CONDITION STATEMENT 06/30/10

	GENERAL	FEDERAL	OTHER	TOTAL
Appropriation	\$710,480	\$889,500	\$0	\$1,599,980
Premiums			\$4,391,544	\$4,391,544
Carrier Assessments			\$1,258,757	\$1,258,757
Interest			\$268,755	\$268,755
Refund of Prior Years Expense			\$4,211	\$4,211
Total Revenues	\$710,480	\$889,500	\$5,923,268	\$7,523,248
Expenditures				
Personal Services				
Risk Pool	\$77,985		\$0	\$77,985
Board				\$0
Total Personal Services	\$77,985	\$0	\$0	\$77,985
Operating Expenses				
Travel	\$0		\$4,316	\$4,316
Contractual	\$40,965	\$59,529	\$338,008	\$438,502
Claims Medical	\$424,358	\$829,971	\$3,286,726	\$4,541,056
Claims - Pharmacy	\$167,172		\$1,758,633	\$1,925,804
Total Operating Expenses	\$632,495	\$889,500	\$5,387,683	\$6,909,678
Total Expenditures	\$710,479	\$889,500	\$5,387,683	\$6,987,662
Other Fund Cash Balance 06/30/09			\$5,199,140	\$5,199,140
Risk Pool Available	\$1	(\$0)	\$5,734,724	\$5,734,725
Risk Pool Reserve Available	\$0	\$0	\$1,856,773	\$1,856,773
Total Available	\$1	(\$0)	\$7,591,497	\$7,591,498

* Medical claims are paid at 135% of Medicaid. Therefore total paid claims to medical providers reflect a reduction in payment for providing treatment to enrollees. The difference between 85% of billed charges and 135% of Medicaid is determined to be the provider contribution.

Bureau of Personnel
South Dakota Risk Pool Fund
Statement of Revenues, Expenses, and Changes in Net Fund Assets
For the Year ended June 30, 2010 and For the Fiscal Year Ended June 30, 2009, and 2008

	FY 2008	FY 2009	Unaudited FY 2010
Operating Revenue:			
• Premiums	\$ 4,146,354	\$ 4,457,106	\$ 4,392,108
Carrier Assessments	861,517	869,517	1,018,049
Other Revenue	1,607	108,646	4,211
Interest and Dividends	736	399	40
Total Operating Revenue	5,010,214	5,435,668	5,414,408
Operating Expenses:			
Personal Services and Benefits	74,930	91,474	77,464
Travel	3,304	5,418	3,230
Contractual Services	309,792	332,620	395,479
Supplies	0	6,266	5,665
Insurance Claims	5,010,693	6,603,092	6,884,016
Total Operating Expenses	5,398,719	7,038,870	7,365,854
Operating Income (Loss)	(388,505)	(1,603,202)	(1,951,446)
Non-operating Revenue (Expense):			
Interest Income	489,041	458,627	366,193
Other Expense/Income	(37,474)	(2,924)	(42,666)
Grant and Other Income	0	547,650	889,500
Total non-operating Revenue (Expense)	451,567	1,003,353	1,213,027
Transfers			
Operating Transfers In *	707,168	710,475	710,479
Net Transfers	707,168	710,475	710,479
Change in Net Assets	770,230	110,626	(27,940)
Beginning Net Assets	5,125,922	5,896,152	5,999,286
Prior Period Adjustment	0	(7,492)	(1,023)
Ending Fund Balance	\$ 5,896,152	\$ 5,999,286	\$ 5,970,323

*Represents the State's annual general fund appropriation.

Bureau of Personnel
South Dakota Risk Pool Fund
Statement of Net Assets
June 30, 2010, June 30, 2009, and 2008

	FY 2008	FY 2009	Unaudited FY 2010
Assets			
Cash and Cash Equivalents	\$ 7,609,210	\$ 7,487,654	\$ 7,779,292
Accounts Receivable	0	34,156	0
Grants Receivable	0	0	0
Securities Lending Collateral	677,761	0	0
Interest and Dividends Receivable	77,481	67,435	366,193
Total Assets	8,364,452	7,589,245	8,145,485
Liabilities			
Current Liabilities:			
Accounts Payable	48,410	63,210	29,123
Accrued Liabilities	5,340	4,710	7,419
Compensated Absences Payable	2,649	2,832	1,203
Policy Claim Liabilities	903,865	725,772	1,142,928
Due to Other funds	0	5,280	1,791
Securities Lending Collateral Liability	677,761	0	0
Deferred Revenue	827,904	785,633	991,621
Total Current Liabilities:	2,465,929	1,587,437	2,174,085
Noncurrent Liabilities:			
Long Term Compensated Absences Payable	2,371	2,522	1,077
Total Liabilities	2,468,300	1,589,959	2,175,162
Net Assets			
Unrestricted Net Assets	5,896,152	5,999,286	5,970,323
Total Net Assets	\$ 5,896,152	\$ 5,999,286	\$ 5,970,323

The financial statements are prepared in conformity with generally accepted accounting principles (GAAP) applicable to government as prescribed by the Governmental Accounting Standards Board (GASB).